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In the

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE
Respondent.

On Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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I. INTEREST OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as *amicus curiae* in support of neither party on the first question presented in the case.[1,2,3] Founded in 1884, the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who practice in the areas of patents, trademarks, copyrights, trade secrets and the legal issues they present. Located in Chicago, a principal forum for U.S. patent litigation, IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. Its members include attorneys in private and corporate practices before federal bars throughout the United States, as well as

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part or made a monetary contribution intended to fund preparation or submission of the brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.2, counsel of record consented to this brief.

the U.S. Patent and Trademark Office and the U.S. Copyright Office. IPLAC represents both patent holders and other innovators in roughly equal measure. In litigation, IPLAC's members are split roughly equally between plaintiffs and defendants. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.[4]

II. SUMMARY OF ARGUMENT

IPLAC supports neither party, but supports that the same standard applies to claim construction regardless of forum. The 2011 Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, was designed in large measure to improve the climate for investment and industrial activity. Its thrust is twofold: improving the quality of patents in the system and reducing unnecessary litigation costs. It attempts the former by removing invalid patents from enforceability. It attempts the latter by shifting patent validity disputes from the courts to the USPTO, the governmental agency charged with granting or denying patents.

The AIA therefore established a new post-grant adjudicatory process for challenging patent validity under Sections 102 and 103 of the Patent Act. 235 U.S.C. §§ 102, 103. To administer the process, the AIA created a new body called the Patent Trial and Appeal Board, PTAB, or IPR Board, staffed with

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[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

administrative law judges. Located within the existing Patent and Trademark Office, the PTAB employs an adjudicative proceeding known as *inter partes* reviews, or IPR. IPR is intended as a less expensive surrogate for litigation. IPR has no relationship to the previous practice of patent re-examination within the USPTO.

As Petitioner documented in support of its request for certiorari, IPRs to date have resulted in an unexpectedly high rate of cancellation of patent claims. Pet. Br. in Support of Granting Certiorari (I). One reason is presumably that the PTAB applies a different and broader standard of claim construction than the federal courts. *See* Paul R. Michel, *Why Rush Patent Reform?* 7 LANDSLIDE 49, 51 (2015); Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 916 (2015). By construing claims more broadly than the courts, the PTAB necessarily considers a larger universe of prior art. That broader standard also heightens the impact of a given piece of art: because the claims are construed more broadly, they encompass more prior art. This concomitantly increases the likelihood of finding a patent either anticipated under Section 102 or obvious under Section 103.

The PTAB's claim construction standard for *inter partes* review is decidedly inconsistent with the standard used by federal courts. When construing claims in accordance with applicable law, federal courts must construe claims according to their plain and ordinary meaning. *Phillips* v *AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). An IPR Board, however, applies the "broadest reasonable construction" consistent with the specification.

Promoting the progress of the useful arts requires not only awarding valid patents but also ensuring a non-arbitrary system for challenging or upholding them. A non-arbitrary system requires that the standards for challenging or upholding validity be the same regardless of the chosen forum. To achieve its constitutional purpose, the patent system must also strike an appropriate balance between rights holders and other innovators. It cannot, and should not, attempt to tilt the playing field based on popular perceptions or political winds. IPLAC therefore supports the position that the proper standard for claim construction in assessing validity of an issued patent does not depend on whether the forum is a district court or the PTAB.

Nothing in the AIA, moreover, requires that IPR Boards employ a "broadest reasonable" claim construction. To the contrary, such construction is an anachronistic holdover from the USPTO's examination and re-examination processes. In those proceedings, the USPTO examines prior art and raises potential arguments against patentability using the "broadest reasonable interpretation" of the claims consistent with the patent's specification. The applicant then has the opportunity to amend its claims as a matter of right in view of the prior art to point out more particularly the invention claimed.

In this give-and-take examination process, a "broadest reasonable interpretation" makes perfect sense. In the context of the AIA's *inter partes* reviews it does not. *See In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984) ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued

patents. When an application is pending in the PTO, the applicant has the ability to correct errors in claim language and adjust the scope of claim protection as needed.") (emphasis added).

IPRs differ substantially from USPTO patent examinations and pre-AIA re-examinations. The IPR process is adversarial, not examinational. Nor is an IPR Board authorized to conduct its own prior art searches. Further, rather than providing the patent owner with the right to amend claims "as needed," the ability to amend claims is extremely limited. *Id.*, *see* 37 C.F.R. 42.121 (new claims limited to one-for-one replacement of existing claims; burden on patentee to demonstrate patentability of claims affirmatively before amendment allowed). In practice, the ability to amend is illusory.

Thus, an IPR lacks the back-and-forth of patent prosecution or re-examination. Rather, an IPR is adversarial and adjudicatory – albeit more streamlined than district court litigation. Its exclusive central features are (1) "non-notice" (fact-specific) pleading by challengers; (2) fact-specific responsive pleading by patent owners; (3) a maximum of seven hours of cross-examination of any experts whose affidavits the parties have submitted; (4) a reply, and (5) a one hour lawyers' oral argument with no "full" record.

Fundamentally unlike patent examinations, IPRs involve only patents that have already been granted. As such, under the Constitution, the patent holder already owns a property right with established metes and bounds. Respect for that property right, without the freedom to amend that is present in examination and re-examination,

demands a fundamentally different kind of review from patent examination and re-examination.

Like litigation, the AIA's IPR process is adjudicatory. In litigation, in both the district courts and on appeal, the consistent claim construction standard is "plain and ordinary meaning." *See generally* Sarnoff & Manzo, An Introduction to, Premises of, and Problems with Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014). IPLAC therefore supports urging this Court to clarify that the litigation standard – "plain and ordinary meaning" – should apply in IPRs as well.

III. ARGUMENT

A. The AIA's *Inter Partes* review process is intended to promote economic efficiency, not to invalidate patents.

The purpose of U.S. patent law is "to promote the Progress of Science and the Useful Arts ... " U.S. CONST., Art I, Sec, 8, cl. 8. The AIA is consistent with that purpose. It seeks to improve the climate for investment and industrial activity by improving the quality of patents and by reducing unnecessary litigation costs. *See* H. R. Rep. No. 112-98, pt. 1, at 39-40 (2011); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1285 (Fed. Cir. 2015) (Newman, J., dissenting); Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7081 (Feb. 10, 2012).

By their very nature, invalid patents exclude from the marketplace competitors who merely

practice known art or obvious improvements. Excluding such competitors impedes the progress of the useful arts by permitting "owners" of invalid patents to monopolize technologies that are already known or obvious, or to charge others monopoly prices to practice them.

At the same time, Congress concluded in enacting the AIA that the existing patent litigation system unnecessarily imposes unneeded litigation and ancillary costs. *See* H.R. Rep. No. 112-98, Pt. 1, at 39-40 (2011). Those unneeded costs frustrate the purpose of the Constitution's patent clause and undermine the value of the U. S. patent system.

1. The AIA's *inter partes* review marks a fundamental change from past procedures.

By enacting the AIA, Congress created a streamlined adjudicatory process through *inter partes* review. Central to the AIA's IPR scheme is having a reliable early indicator of a patent's quality. Thus, after a patent issues, the AIA makes available to parties that seek it an *inter partes* review by technology-trained, patent-savvy adjudicators. *See* 157 Cong. Rec. S7413 (Nov 14, 2011) (Statement of Rep. Smith).

Under pre-existing law, a party could challenge an issued patent's validity through a different kind of *inter partes* re-examination. *See* Cert. Pet. 2-3. But that process, unlike IPR, was examinational in nature. Specifically, re-examination allowed patent examiners to search for potentially invalidating prior art. But re-examination also freely permitted amendments by the patent owner in response to

challenges or adverse decisions. *See* 35 U.S.C. § 305 (pre-AIA) ("In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301, or in response to a decision adverse to the patentability of a claim of a patent."). IPRs do not permit that.

2. The Federal Circuit agrees that the AIA's *inter partes* review is a new procedure.

The courts agree with Congress that the new *inter partes* review is distinct from pre-AIA patent re-examination procedures. *E.g., Nike, Inc. v. Adidas AG*, No. 2014-1719, 2016 WL 537609, at *3 (Fed. Cir. Feb. 11, 2016) ("the very nature of IPRs ... [is] distinctly different from a typical PTO examination or reexamination where a patent examiner performs a prior art search and independently conducts a patentability analysis of all claims, whether newly proposed or previously existing") (internal quotations omitted). Specifically, in contrast to *inter partes* re-examination, IPR is an adjudicatory proceeding.

As Petitioner explains in its opening petition brief, under the new IPR system, a person other than the patentee initiates a validity challenge by filing a petition with the PTO. (Pet. Br. at 4.) The patentee may then file a preliminary response "that sets forth reasons why no inter partes review should be instituted." 35 U.S.C. 313. Within three months after that preliminary response is due, a panel of three judges of the board decides whether to institute IPR. 35 U.S.C. 314(b); 37 C.F.R. 42.108. (Although

the AIA actually charges the PTO director with deciding whether to institute IPR and the board with adjudicating ensuing trials, the director has delegated authority for instituting IPR to the Board, a practice the Federal Circuit recently approved. *See Ethicon Endo-surgery, Inc. v. Covidien, LP*, No. 2014-1771, 2016 WL 145576, at *1 (Fed. Cir. Jan. 13, 2016. Thus, as Petitioner point out, the Board's authority over the entire IPR process lacks any internal independent check. (Pet. Br. at 4, n. 2).)

If the Board initiates the IPR, the patentee may respond with particularity to the petition and file supporting affidavits or declarations. *See* 35 U.S.C. 316(a)(8); 37 C.F.R. 42.120. If the patentee responds, petitioner may conduct limited discovery, including depositions of the patentee's declarants, and may file a reply. *See* 35 U.S.C. 316(a)(5), (13); 37 C.F.R. 42.51. Either party may request an oral hearing. *See* 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70. A panel of at least three administrative patent judges conducts the hearing. *See* 35 U.S.C. 6(c), 316(c). The proceeding excludes live witnesses and relies on the parties' paper submissions and attorney argument. *See* 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70.

Patent examination of necessity considers patentable subject matter under Section 101. In contrast, IPR arguments are limited to Section 102 novelty and Section 103 obviousness. 35 U.S.C. 311(b). Prior art is limited to patents and printed publications. *Id.* The IPR process streamlines and stages discovery and, absent good cause shown, requires a final written decision within twelve months. 35 U.S.C. 316(a)(11). IPR decisions of the PTAB are directly reviewable by the U. S. Court of Appeals for the Federal Circuit. 35 U.S.C. 141(c).

In sum, to improve patent quality and to reduce litigation costs, the AIA created IPRs as "an inexpensive and speedy alternative to litigation." 157 Cong. Rec. S7413 (Nov. 14, 2011) (Statement of Rep. Smith). The process bears little, if any, resemblance to any previous proceedings within the USPTO. *Cf. Belden Inc. v. Berk-Tek LLC*, Nos. 2014-1574, -1576 (Fed. Cir. Nov. 5, 2015), slip. op. at 8-9 (description of process).

B. The IPR amendment process is illusory and bears no resemblance to the freedom to amend during prosecution.

The core of the Patent Office's argument for applying the "broadest reasonable interpretation" to claim construction is that "the standard's applicability does not turn on whether a proceeding is adversarial, but on whether the language of the patent claim is still subject to amendment." Respondent's Cert. Opposition 12. But that theoretical opportunity to amend is in practice illusory.

In theory, the AIA provides applicants with one – and only one – conditional opportunity to amend the challenged claims. 35 U.S.C. 316(d)(1) ("patent owner may file 1 motion to amend the patent"). In reality, such motions are almost never granted. Since the AIA took effect in September 2012, parties have filed well over 4,000 IPR petitions. U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 1/31/2016, *available at* http://www.uspto.gov/sites/default/files/documents/2016-01-31%20PTAB.pdf. In those 4,000 cases, Patent Owners have filed motions to amend 86 times.

As of June 30, 2015, however, the PTAB had allowed motions to amend in only five IPR proceedings. BIO Cert. Amicus Br. 11; *see* "PTAB Allows Motion to Amend in IPR Challenging Neste Oil Patent," MANAGING INTELLECTUAL PROPERTY, June 15, 2015, *available at* http://www finnegan.com/news/newsdetail.aspx?news=d0d18aee-10e8-4511-bfa5-3b2962da1a39. Thus, although the AIA theoretically contemplates amendments in IPR proceedings, the practical right to amend has been largely lost. *Cf. Weems v. United States*, 217 U.S. 349, 373 (1910) ("Rights declared in words might be lost in reality.")

Even if the Patent Office were to grant more amendments, the procedural hurdles confronting a patent owner would remain. Absent a showing of good cause, a patent owner could still bring only one motion to amend, and only after conferring with the Board. 37 C.F.R. 42.121(a), (c). This stands in stark contrast to the give and take of a normal examination or re-examination process. In short, the process of amending claims in an IPR bears no resemblance to the freedom to amend that exists during examination or re-examination.

Equally important, the Board has now shifted significant burdens to the patent owner. The patent owner must first "show a patentable distinction of each proposed substitute claim over the prior art." Then the patent owner must "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper 26, at 7 (P.T.A.B. June 11, 2013). This again is vastly different from both examination and re-

examination. There, the patent owner is free to amend claims without seeking patent examiner approval, and the burden of disproving patentability lies initially with the examiner.

When considering the actual process of amending claims in and IPR, therefore, the Patent Office's proffered justification for applying the "broadest reasonable interpretation" rings hollow.

C. The AIA's goal of economic efficiency requires a clear, single standard of PTAB judicial review.

To achieve the AIA's aims of economic efficiency and reduced litigation costs, two adjudicative bodies reviewing the same patent's validity over the same prior art should obviously reach the same result. It would manifestly frustrate the intent of Congress and the purpose of the Constitution's patent clause to do otherwise. All adjudications of patent validity therefore require a clear, single standard of review, irrespective of the reviewing body.

As with patent infringement, the prerequisite for determining patent validity is claim construction. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 996 n. 7 (Fed. Cir. 1995) (Mayer, J., concurring) ("A claim must be construed before determining its validity just as it is first construed before deciding infringement"), *aff'd*, 517 U.S. 370 (1996); *see generally* Sarnoff & Manzo, An Introduction to, Premises of, and Problems With Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014) ("Patent claims ... should be construed from an objective

perspective of a [skilled artisan], based on what the applicant actually claimed, disclosed, and stated during the application process.") A patent's claims determine its metes and bounds and therefore what distinguishes it from the prior art. This establishes novelty; that is, what makes the patent neither anticipated under Section 102 nor obvious under Section 103.

Yet without definitive guidance from the Congress or this Court, the PTAB has been construing patent claims in IPRs under the standard PTO examiners have used in examining patents before they issue. *See, e.g., In Re Prater*, 415 F.2d 1393, 1405 (Ct. Cust. App. 1969) ("[C]laims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified."); *In re Buszard,* 504 F.3d 1364, 1366–67 (Fed. Cir. 2007) ("[T]he patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented."); *In re Zletz,* 893 F.2d 319, 322 (Fed. Cir. 1989) ("During patent prosecution is when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed."); *see generally* U.S. Patent and Trademark Office, Manual of Patent Examining Procedure (9th ed., Mar. 2014) § 2111 (requiring application of the "broadest reasonable interpretation" to pending claims).

But district courts are bound by this Court's and the Federal Circuit's case decisions to give claims their "plain and ordinary meaning." *Phillips*, 415 F.3d at 1312. The difference between the two is believed to be one reason for the alarmingly high rate of IPR claims cancellation to date. According to Petitioner, as high as 85% of all IPRs result in cancelling at least one claim. Pet. Br. in Support of Certiorari (I).

At best, the application of two different standards invites confusion and forum shopping. Because the IPR board is a surrogate for the district court, the two standards should be the same.

D. This Court should require the PTAB to employ the same claim construction standard as this Court and the Federal Circuit – "plain and ordinary meaning" – in all IPR proceedings.

1. IPRs are surrogates for litigation.

Congress could not be clearer that the IPR process should be a cost-effective surrogate for litigation. *In re Cuozzo Speed Technologies*, 793 F.3d at 1285 (Newman, J., dissenting). Both administrative adjudication under the AIA and district court adjudication are reviewable by the United States Court of Appeals for Federal Circuit. Although factual determinations underpinning the district court's claim construction may be entitled to deference, *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 574 U.S. ___, 135 S. Ct. 831, 836 (2015), the Federal Circuit reviews all legal aspects of the claim construction *de novo*. That *de novo* review, as does

the district court's construction, requires giving the claims their plain and ordinary meaning. *Phillips*, 415 F.3d at 1312; *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

A valid patent must "distinctly claim" the inventor's invention. 35 U.S.C. § 112(b). A proper claim construction is therefore an essential element of promoting the progress of the useful arts. Specifically, a proper claim construction is central not only to an infringement analysis but also to a patent's validity. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U. S. ____, 134 S.Ct. 2120, 2128 (2014) (citing Sarnoff & Manzo, *supra*). While the former determines the scope of the patent holder's right to exclude, the latter determines the right to exclude at all.

2. Applying differing standards in differenet forums would be incoherent.

Applying differing standards to a claim construction reached under an IPR from one reached by a district court would be incoherent. In and of itself, that would mean that the patent challenger's choice of forum – *i.e.*, whether to file IPR petition or a federal lawsuit – could be dispositive, up to and including the Federal Circuit level. More important, it would unacceptably permit differing tribunals, both created by Congress, to reach differing results on the same evidence. *In re Cuozzo Speed Technologies, LLC*, 793 F.3d at 1285 (Newman, J., dissenting).

Consistent with the language and intent of the AIA, a coherent approach would be to apply the same

claim construction standard with which district courts and the Federal Circuit are already familiar. That standard is the "plain and ordinary meaning" of the claim language to one of ordinary skill in the art. *Phillips*, 415 F.3d at 1312. That standard is particularly appropriate under the AIA because of the limited opportunity, described above, for claim amendment. As the majority below itself recognized in both its original and amended opinions, even the USPTO does not employ the "broadest reasonable interpretation" when re-examining the claims of an expired patent – precisely because there the patentee is unable to amend the claims. *In re Cuozzo*, 793 F.3d at 1276 n.6 (citing *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014)).

3. Nothing in the AIA requires a different standard.

Nothing in the AIA, moreover, requires the IPR Board to employ the "broadest reasonable interpretation" for claim construction. To the contrary, a simple panel majority of two judges below decided that Congress "impliedly approved" the rule merely by creating the new IPR proceedings. *Id.* at 1277.

As this Court has long recognized, however, "Congress' silence is just that – silence." *Cmty. For Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989). Here, the purpose of Congress was to create a streamlined alternative to district court litigation. As with district court litigation, the process is adjudicative, reviewable by the Federal Circuit. If the goal is to reach the same result on claim constructions, then the standard should be the same.

Indeed, if the standard is not the same, claim construction approaches and the law directed to claim construction will become increasingly muddled. Inevitably, law developed and refined by the Federal Circuit when addressing district court claim constructions under the "plain and ordinary meaning" standard will diverge from that arising when the Federal Circuit reviews decisions based on the "broadest reasonable construction" standard. This would be a disservice to the patent community, has no place in patent law, and has no grounding in the AIA.

IV CONCLUSION

For the reasons above, the Court should clarify that the proper standard for claim construction in IPR proceedings, as in district court litigation, is the "plain and ordinary meaning" of the claims.

Respectfully submitted,
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